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SUBJECT: ARGENTINA'S TOURISM SECTOR CONTINUES TO EXPERIENCE
RAPID GROWTH AND INVESTMENT

[1](#)1. (U) Sensitive but unclassified, not for internet
distribution

SUMMARY

[1](#)2. (U) Argentina received a record number of 3.7 million foreign tourists in 2005, a twelve percent rise over 2004. Argentina's tourist sector was the third most important source of foreign exchange revenue, amounting to USD 2.6 billion and employing 1.5 million people in 2005. The Ezeiza International Airport continues to be the primary gateway to Argentina. Cruise liners are docking in Buenos Aires in increasing numbers, leading to a proposal to create a separate port. The hotel industry has made large-scale investments throughout Argentina and the construction of hundreds of new hotels is underway. The GOA's current tourist plan has made a firm commitment to place the tourism sector on an expansionary path. End Summary.

TOURIST GROWTH IN 2005

[1](#)3. (U) Argentina received a record number of 3.7 million foreign tourists in 2005, a twelve percent increase over [1](#)2004. Argentina's tourism sector was the third most important export industry in terms of national income in 2005, representing 2.5 percent of GDP. Tourists spent USD 2.6 billion, a 9 percent increase from 2004. The tourism sector directly and indirectly employs 1.5 million workers or 8 percent of the country's workforce. The industry has been expanding at a rapid pace since the devaluation of [1](#)2002.

FOREIGN ARRIVALS VIA EZEIZA INTERNATIONAL AIRPORT IN 2005

[1](#)4. (U) The number of tourists arriving via Ezeiza International Airport was 1.8 million in 2005, up 20 percent from 2004. The U.S. is second only to Brazil with the number of foreigners entering Argentina through Ezeiza International Airport. Tourists spent a total of USD 1.330 billion and over 18 million combined days in Argentina.

Tourists spent an average of USD 75 per day. Vacation was the primary purpose for tourist travel, accounting for 55.1 percent of total arrivals. Business trips constituted 23.7 percent, visits to family and friends accounted for 17.5 percent and studying abroad and medical treatment provided the remaining 3.7 percent (see Table 1).

Table 1
Foreign Arrivals Entering Argentina Via Ezeiza International Airport (in thousands of passengers)

Ranking	2004	2005	Percent Change 05/04
1. Brazil	238.007	304.914	28.1
2. United States	202.038	250.942	24.2
3. Chile	188.589	212.566	12.7
4. Spain	127.937	162.126	26.7
5. Italy	89.118	96.113	7.8
6. Mexico	52.511	69.739	32.8
7. Peru	58.521	63.952	9.3
8. France	57.028	62.262	9.2
9. Colombia	43.079	53.029	23.1
10. Germany	46.163	52.568	13.9
11. Great Britain	39.772	46.650	17.3
12. Venezuela	20.899	29.323	40.36
13. Ecuador	24.418	26.542	8.7
14. Bolivia	25.043	26.126	4.3
15. Canada	19.121	25.656	34.2
16. Uruguay	19.879	23.587	18.7
17. Paraguay	16.140	21.226	31.5
18. Australia	16.745	20.513	22.5
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19. Israel	14.700	18.235	24.7
20. Japan	15.624	16.678	6.7
Rest of the World	260.712	312.458	19.8
Total	1.473.835	1.769.310	20.0

Source: National Institution of Statistics and Census
<http://www.indec.gov.ar/>

CRUISE SHIPS AND PORT ARRIVALS IN BUENOS AIRES IN 2005

15. (U) 54 cruise liners with 65,000 passengers docked in Buenos Aires during 2004-2005. It is estimated that 75 cruise liners with 90,000 to 100,000 passengers will dock in Buenos Aires in 2005-2006. The cruise liners' primary destination is Buenos Aires and they bring in an estimated USD 30-40 million per year to Argentina's economy. Cruise liner tourists spend on average USD 150-200 per day and stay an average of two days. Cruise liner companies pay between USD 65,000-80,000 for each stopover in Buenos Aires, providing an estimated USD five million in yearly port revenue. The city of Buenos Aires is considering a proposal to build a separate port for cruise liners because of the increase of cruise traffic and the congestion in the existing port facilities.

GAY TOURISM IN 2005

16. (U) Gay tourism represented 20 percent of all tourism in 2005. The gay tourists' main destination is Buenos Aires which is followed by Patagonia, Cordoba, Mendoza and Rosario. An estimated 80 percent of the gay tourists are from the U.S. Europe, Canada, South Africa, and Australia provide 18 percent, and Latin America forms the remaining two percent.

17. (U) Buenos Aires will host South America's first gay five-star hotel which will be inaugurated at the end of

¶2006. The hotel will be owned by the Spanish-owned Axel hotel chain and will cost USD 3.5 million. It will be located in San Telmo, a growing gay quarter of Buenos Aires which markets itself as "gay friendly." Cruise liners are also catering to the growing number of gay tourists. Atlantis, a five-star gay cruise liner, recently docked in Buenos Aires and ticket costs for the cruise liner range from USD 2,500-6,500 per person.

HOTEL GROWTH IN 2005

¶8. (U) Argentina's hotel sector is expected to attract investment totaling more than USD 1.4 billion in 2006, a 207 percent increase over the USD 456 million invested in 2005. There are building projects for more than 200 new hotels underway, a sharp increase from the 45 hotels built during the 1991-2001 period. For example, Cordoba Province has confirmed hotel investments totaling ARP 170 million (USD 58.9 million) until 2007 while Neuquen province has prospective hotel investment totaling ARP 46 million (USD 15.9 million) for 2006.

¶9. (U) The rapid growth of hotels is attracting international hotel chains to come to Argentina. The Spanish corporation Husa gave its brand to the traditional Gran Hotel Buenos Aires earlier this year. One condition imposed by the Spanish chain on the current owners is that all rooms 40 years or older must be remodeled. The total investment for this remodeling is estimated at ARP 3.4 million (USD 1.2 million). Husa's entrance into the Argentine market is the company's first experience in South America. Officials from the Husa Corporation have stated that their intention is to add more hotels in Argentina, Brazil, China, and Uruguay. France's Sofitel hotel chain has opened two five-star hotels in Buenos Aires in recent years. The Hilton international hotel chain will invest USD

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15 million in building a five-star hotel in the Iguazu National Park, in a nine-hectare property provided by the government of Misiones Province. Misiones Province Governor Carlos Rovira is reported to have said that including this and other initiatives, there is about USD 100 million in hotel investment in the Iguazu Falls area alone. The Hilton hotel chain also has plans to give its name to a new five-star hotel in Ushuaia in Tierra del Fuego Province. The Sheraton hotel chain also gave its name to two brand-new five-star hotels in Salta and Cafayate in the wine country of Salta Province.

THE GOVERNMENT'S NEW TOURISM LAW AND TOURISM PLAN

¶10. (U) Law 25,997, passed in August 2004, is designed to outline a national tourism plan for the country. The law applies a five percent tax on international flights, and directs the appropriated funds into an account that is to be used solely for the development of Argentina's tourism sector. The original law, Law 14,574, passed in 1958, established a national tourism fund that applied only a one percent tax on international flights. Law 23,522, enacted in July of 1987, modified the 1958 law and raised the tax on international flights from one to five percent. The national tax fund was insolvent until 2002, when the GOA decided to direct the flow of funds back to the fund.

¶11. (U) The GOA invested ARP 1.6 billion (USD 554 million) in the tourism sector in 2005. Of this amount, ARP 490 million (USD 159 million), or 88 percent, was appropriated to enhance the infrastructure in underdeveloped tourist areas. The GOA's plan is designed to increase cooperation between the public and private sectors. The plan is to be completed by 2016, and is to be initiated in four stages,

the first began in 2004. The GOA is expecting the second stage to be completed in 2007, and the third and fourth stages to be completed in 2010 and 2016. The GOA conservatively predicts that the revenue earned from the tourism sector will double to USD 4.727 billion by 2016 (see Table 2). We believe this number understates Argentina's potential.

Table 2
Government Expectations for Tourism Sector

Year Per Million)	Total Foreign Tourists	Revenue Earned from Tourism Sector (USD Billion)	Revenue Tourist (USD
2004	3,352,572	2,491	1,345
2007	4,015,759	3,346	1,200
2010	4,419,466	3,867	1,142
2016	5,087,904	4,727	1,076

Source: Secretary of Tourism
<http://www.turismo.gov.ar/esp/menu.htm>

TOURISM GROWTH IN 2004

¶12. (U) The GOA has not published extensive tourism data for 2005 although comprehensive tourist information is available for 2004. Argentina received a record 3.3 million foreign tourists in 2004, surpassing the 1998 record of 3.0 million. Total tourist arrivals to Argentina increased 11.9 percent in 2004. The majority of tourists arrived from neighboring Chile, Paraguay, and Uruguay. The growth in the number of tourists was driven by an increase in visitors from Chile, Uruguay, Europe, and North America (see Table 3).

Table 3
Number of Foreign Tourists-By Country of Origin

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Country	2003	2004	Percent Change 04/03
Bolivia	590,678	690,321	16.2
Brazil	350,298	361,699	3.25
Chile	767,758	831,938	8.36
Paraguay	429,792	458,967	6.8
Uruguay	363,107	429,681	18.3
North America	224,472	259,360	15.5
Rest of S.A.	229,630	242,411	5.6
Europe	455,998	242,411	21.7
Rest of The world	114,538	144,337	26
Total	2,995,272	3,352,572	11.9

Source: Secretary of Tourism
<http://www.turismo.gov.ar/esp/menu.htm>

¶13. (U) Tourism revenue of USD 2.491 billion in 2004 surpassing the grains sector (USD 2.704 billion) and oil exports (USD 2.200 billion) and has more than doubled that of meat exports (USD 1,200 billion). European tourists generated the largest percent of foreign revenue (29 percent in 2004), followed by Chileans (17 percent), North Americans (13 percent), and Brazilians (9 percent). European tourists had the longest average stay with 19 days, although they spend the least, USD 62 per day. Chileans, Brazilians, and Paraguayans have shorter average stays, 6 days, but spend the most, USD 91 per night. This is because many of the South American visitors come to take advantage of Argentina's low exchange rate (see Table 4).

Table 4
Revenue from Foreign Tourists-By Country of Origin
(USD Millions)

Country	2003	2004	Percent
Increase			04/03
Bolivia	26	34	30.8
Brazil	195	226	15.9
Chile	346	425	22.8
Paraguay	173	225	30
Uruguay	117	154	31.6
Rest of S.A	195	231	18.5
Europe	529	723	36.7
United States	247	315	27.5
Rest of World	114	158	38.6
Total	1,942	2,491	28.3

Source: Secretary of Tourism-
<http://www.turismo.gov.ar/esp/menu.htm>

U.S. TOURIST DESTINATIONS IN 2004

¶14. (U) Buenos Aires was the primary tourist destination for U.S. tourists in 2004. Some 87 percent of U.S. tourists visited Buenos Aires where they stayed an average of 8.5 days in 2004. Approximately 75 percent of businesses that operate in the tourism sector are concentrated in the city of Buenos Aires and Buenos Aires Province. The second-most popular location was Patagonia, attracting 14.9 percent of the U.S. tourist population with an average stay in of five nights. Iguazu falls attracted 7.1 percent of U.S. tourists with an average stay of two nights. The Atlantic coast, Mar del Plata in particular, took 4.9 percent with an average stay of five nights. Cordoba received 4.8 percent but had the longest average stay of 11 nights. Mendoza, Argentina's largest wine producer, secured 4.1 percent with an average of eight nights (see Table 5).

Table 5
Percentage of U.S. Tourists that Visited Tourist Locations
and
Average Nights Stayed 2004

Area	Percent of	
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	Tourists	Number of Nights
Buenos Aires	87.1	9-10
Patagonia	14.9	5
Cataratas de Iguazu	7.1	2
Atlantic Coast	4.9	5
Cordoba	4.8	11
Mendoza	4.1	8

Source: Secretary of Tourism: National Tourist Development
Agency

COMMENT

¶15. (U) The collapse of the convertibility regime and move to a market-based exchange rate regime in 2002 made international travel to Argentina relatively inexpensive leading to the rapid growth of international tourism. Argentina is now considered a "dame dos" country in that tourists from neighboring countries now buy two items instead of one because the prices are so attractive in their own currencies. The rise in tourism has spurred investment and created employment in all parts of the country which

helps explain the GOA's commitment of resources and revenue to the tourism sector. Tourism revenue could easily exceed the GOA's 2016 estimate of USD 5 billion, according to some industry analysts.

¶16. (U) To see more Buenos Aires reporting visit our classified website at:
<http://ww.state.sgov.gov/p/wha/buenosaires>
Gutierrez